

MHA Testimony before the Human Services Appropriations Subcommittee pertaining to the Health Resources Division

For the record, my name is Bob Olsen, Vice President of MHA, An Association of Montana Health Care Providers. MHA is the principle advocate for the collective interests of our members. Members include hospitals and their medical staff members, nursing homes, home health and hospice agencies.

MHA has long supported the Department of Public Health and Human Services operation of the Medicaid and the Children's Health Insurance Programs. We don't always agree with the actions taken by the Department, but we do appreciate the challenges facing the Department, and their efforts to effectively manage their programs. The main problem facing the Department is the constant shortage of funding needed to provide the services demanded by the beneficiaries at rates that are acceptable to the provider community.

Medicaid Funding

MHA believes that State government should ensure that Medicaid payments cover the cost to provide service. Hospitals, and other human service advocates have worked to supplement the general fund available for health care. The implementation of IGT funds, provider utilization fees and tobacco funds all help fill the general fund gap used to fiancé Medicaid and other human service programs.

MHA supports the request for the current level funding needed to maintain the current level of services provided by Medicaid. While we also support the request for a 2.5% rate increase, funded by tobacco tax funds, the increase is not nearly enough to keep up with medical inflation. This means that the portion of provider cost covered by Medicaid will continue to fall decline. There are essentially three strategies that a provider can pursue to address low Medicaid payment rates. The first is to engage in cost shifting. This means that unpaid Medicaid treatment costs are simply shifted onto other private insurance companies and other payers. But not all hospitals are able to shift this burden onto other payers. A second strategy is to limit the number of Medicaid beneficiaries that the provider is willing to accept. By limiting access the provider shields themselves from being too dependent on Medicaid revenue. Dentists and some physicians notably engage in this practice. Finally, the provider can discontinue services needed by Medicaid beneficiaries. When a provider stops providing a service the entire community loses, not just those patients whose care is paid by Medicaid.

MHA recommends that this committee provide a rate increase for all Medicaid providers equal to at least 3.5% per year, for each year in the biennium.

CHIPS

MHA has long supported the CHIPS program. We support the Department's request contained in HB 2. We are also supporting SB 22, an act to increase the eligibility limit from 150 to 165%.

CHIP provides important access to health care for the children of needy families that don't qualify for Medicaid. Hospitals not only support full funding for CHIP. Hospitals also help stretch the dollars by giving considerable discounts from routine charges and providing outreach to help families connect with the program.

At the federal level, MHA is already working to renew CHIPS and obtain the needed federal grant funding. We urge your continued support for this program.

Hospital Utilization Fee

MHA sought the creation of the utilization fee to accomplish one important goal. Hospitals wanted to bring Medicaid payments closer to the cost to provide care. Over several years Montana Medicaid slipped from paying about 93% of hospital treatment costs to an estimated 70% today for Montana's larger hospitals. Critical access hospitals and hospitals located outside Montana are paid their reasonable costs. Using hospital funds to match federal Medicaid funds helps bring payments back into line with costs.

Hospitals supported the creation of the fee, and its continued existence, but with some reservations. The fees must be used only to support hospital payments. That is, we do not support imposing a fee on hospitals to fund other human services. Other provider groups have the opportunity to step forward and help fund the Medicaid program. Since other groups have declined the opportunity, it is not fair to expect hospitals to provide the funding on their behalf.

We continue to question whether the federal government will allow this type of funding mechanism to continue. Therefore, we oppose putting the fees into the general fund, or otherwise make the funding part of the base budget. We consider the program an opportunity to improve Medicaid hospital payments. But we fear that the rules will change, and we'll be left with costs that we can't recover, and a State dependent on hospital fees to afford programs that should be covered by the general fund or other revenues.

The subcommittee's discussion included an idea that hospital fees could be raised by up to \$10 per day and the funding used to pay for mental health or other human service programs. MHA, and its member hospitals, urge this group not to pursue this policy. Hospitals just won't support paying the higher fees.

The added costs only serve to widen the gap between Medicaid payments and hospital costs.

It is true that hospitals collectively gain from the enhanced payments made possible by the fee. But each year about 12 hospitals pay more in fees than they receive in supplemental payments. Most these hospitals are county or tax district-funded hospitals, including small hospitals in Choteau, Shelby, Fort Benton, Scobey and Ekalaka. Adding a fee that can't be recovered to these facilities simply erodes their financial position. As hospitals lose ground on this program they will withdraw their support for the fee.

MHA recommends that this committee use general fund or other state special revenues to expand or improve the mental health program.

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Montana State Legislature

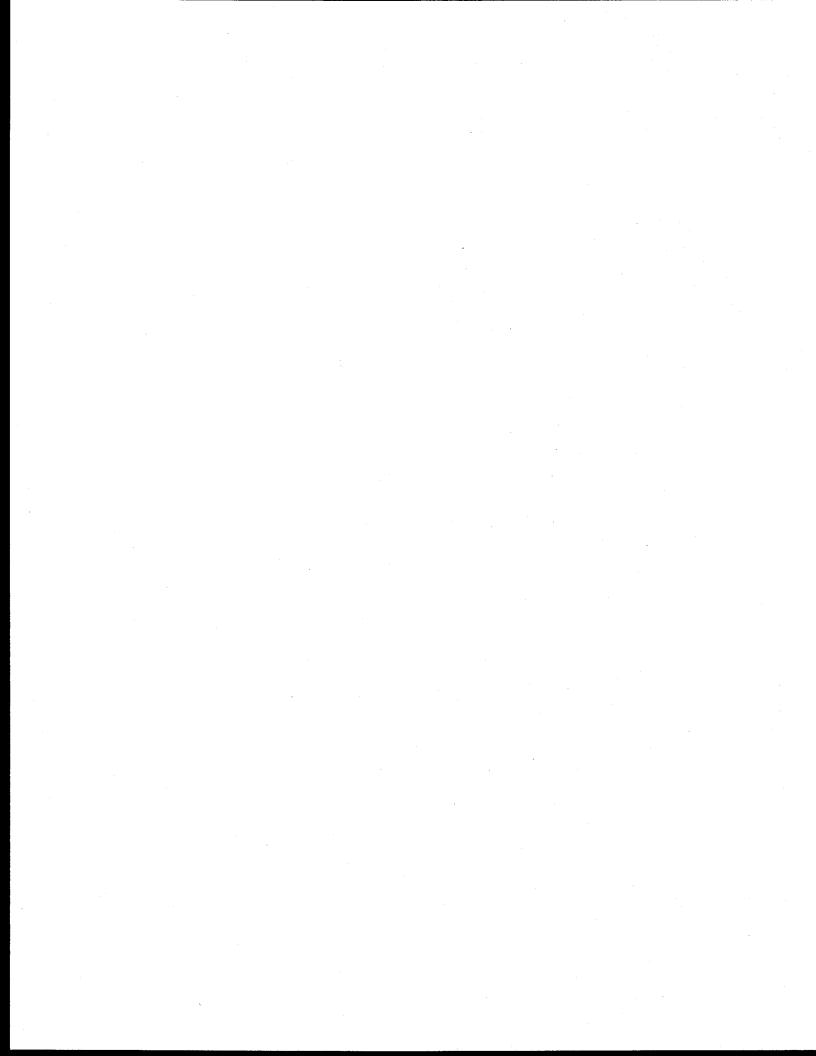
Exhibit 3

This exhibit is a booklet entitled; "Health Care At A Glance". september 2006

The number of pages in the booklet exceeds the maximum amount that can be scanned. The front page, back page and table of contents has been scanned to help with your research. To obtain a copy please contact the Montana Historical Society and may be viewed there.

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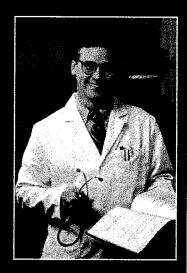




AN ASSOCIATION OF MONTANA HEALTH CARE PROVIDERS

Health Care At-A-Glance

a statistical profile of Montana's health care environment







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